

Memorandum

To: CHAIR AND MEMBERS
Airspace Advisory Committee

Date: October 23, 2002

From: **BRUCE WILSON**
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Airspace Program
Division of Right of Way

File: AIRSPACE

Subject: 2002 Annual Airspace Report

The Division of Right of Way's Airspace and Telecommunications Licensing Program is pleased to report FY 2001-02 income of \$20.1 million. Airspace revenue was \$18.5 million with the Telecommunications Licensing component generating revenues of \$1.6 million. This represents a slight decrease in income from the last fiscal year total of \$20.6 million. Statewide expenses associated with the Program were \$1.8 million versus last fiscal year expenses of \$1.5 million. The expense-to-gross-income ratio, one of the key performance measures of the Program, was 9 percent. The Program has set a target goal for the expense-to-gross income ratio at 10 percent or less. Attached is a chart depicting the Program's income and expenses for the last eight years.

Airspace income rose in all districts except for District 4 (San Francisco Bay Area) which experienced a decline of almost 20%. The most profitable airspace sites in the State have historically been short-term bid leases for parking in downtown San Francisco. Multiple lot closures came as a result of major seismic retrofit projects. Also impacting District 4 revenues was legislation that permanently transferred a number of highly profitable airspace sites to the City and County of San Francisco when the old Central Freeway was demolished. The ongoing seismic retrofitting of the West Bay Bridge approach further exacerbates the situation by necessitating the internal use of many of the most profitable airspace sites in the State for construction staging activities. Lastly, the downturn in the economy and the collapse of the "Dot Com" bubble have resulted in a high vacancy rate for office buildings and subsequently less demand for parking in that area. It is expected that airspace revenues in District 4 will continue to decline and will be severely depressed for several more years as future transfers of sites are anticipated for the new transbay terminal proposal.

Annual wireless license fees are due each July 1. Depending on when the carriers actually pay their fees, the revenue as reported can be skewed from year to year. License fees received before July 1, 2001 were credited to the preceding fiscal year, artificially inflating that year's revenue while underrepresenting revenues for this reporting period. Consequently, reported revenues in FY 2001-02 are \$740,000 less than last year. The Department continues to approve installations of wireless sites within

freeway rights of way and the number of sites has increased every year since the Program's inception.

At the end of the fiscal year there were 571 occupied airspace sites throughout the State. Of the 571 sites, 108 are wireless sites. Possessory interest taxes, paid by airspace tenants to the local cities and counties, totaled approximately \$4.8 million.

Once again, the Department acknowledges the efforts, interest, and expertise provided by the Airspace Advisory Committee (AAC) and looks forward to a continued mutually beneficial working relationship.